

E-Mail ALPERSRU A/00

Subj: PROCEDURES FOR REPORTING ENTITLEMENT TO IMMINENT DANGER PAY AND
COMBAT TAX EXCLUSION

Ref: (a) E-Mail ALPERSRU Q/99
(b) Coast Guard Pay Manual, COMDTINST M7220.29 (series
(c) Personnel and Pay Procedures Manual, HRSICINST MIOOO.2 (series)
(d) Source Data Automation II User Manual, HRSICINST M5231.2 (series)
(e) Reenlistment Bonus Programs Administration , COMDTINST 7220.33

Purpose

This E-mail ALPERSRU clarifies entitlements to:

- Imminent danger pay (section 1)
- Combat tax exclusion (section 2)

Background

This ALPERSRU is an update of reference (a). Tables listing areas qualified for Imminent Danger Pay (IDP) and Combat Tax Exclusion are provided.

Directives Affected

Reference (a) is canceled.

SECTION 1 – Imminent Danger Pay

Introduction

Imminent Danger Pay is an entitlement to members who meet the special conditions described in Section 4-H of reference (b). This special pay is in addition to any other pay and allowances a member may be entitled.

Qualified Areas for Imminent Danger Pay

Areas designated as qualifying for imminent danger pay are listed below.

Note: This table includes information which will be reflected in a future change to reference (b).

COUNTRY/AREA	COVERED AREAS	
	LAND AND INLAND WATERS	AIRSPACE ABOVE
Afghanistan	X	X
Albania	X	X
Algeria	X	

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Angola	X	
Azerbaijan	X	
Bahrain	X	X
Bosnia-Herzegovina	X	X
Burundi	X	
Cambodia	X	
Columbia	X	
Croatia	X	X
East Timor	X	X
Egypt	X	
El Salvador	Note 1	
Ethiopia	X	
Georgia and Abkhazia	Note 2	
Greece	Note 3	
Haiti	X	
Iran	X	
Iraq	X	X
Jordan	X	
Kuwait	X	X
Lebanon	X	
Liberia	X	
Macedonia	X	X
Montenegro	X	X
Pakistan	X	
Persian (Arabian) Gulf	Gulf Area	X
Peru	X	
Qatar	X	X
Rwanda	X	
Saudi Arabia	X	X

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Serbia	X	X
Sierra Leone	X	
Somalia	X	X
Sudan	X	X
Tajikistan	X	
Turkey	Note 4	Note 4
Yemen	X	
Yugoslavia	X	X
Zaire	X	

Note 1: Except Compalapa International Airport and Ilopango Air Base.

Note 2: Only the land area of Georgia and Abkhazhi lying north of 42 degrees north latitude and west of 43 degrees east longitude.

Note 3: Only the land area within a 14 km radius from the center of Athens (37-58N, 23-43E)

Note 4: Excluding the Turkish Straits (i.e., the Dardanelles, the Sea of Marmara, and the Bosphorus Straits) and including the limited airspace south of 37-45N and east of 43-00E.

Rules for Imminent Danger Pay

The following rules apply when determining entitlement to Imminent Danger Pay:

- A member who serves on official duty in one of the designated areas for any part of a month is entitled to imminent danger pay for the entire month.
- In those areas where airspace is designated, personnel who fly through the area are eligible for payment if the members are assigned to official temporary duty to the airspace of the combat zone.

Amount of Imminent Danger Pay

The current monthly rate of imminent danger pay is \$150.00.

Procedure For Payment Of Imminent Danger Pay

The procedures for certifying entitlement to imminent danger pay are provided on page 7-A-7 of reference (c) and pages 2-A-132 through 2-A-137 of reference (d).

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SECTION 2 – Combat Tax Exclusion

Introduction

Certain pay earned by members of the Armed Forces while in a combat zone designated by the President is considered nontaxable income.

**Qualified
Areas For
Combat Tax
Exclusion**

Section 8-G-2 of reference (b) designates combat zones, which qualify for federal income tax exclusion. The current designated areas are:

COUNTRY / AREA	COVERED AREAS INCLUDE:			
	LAND	INLAND WATERS	COASTAL WATERS	AIRSPACE ABOVE
Adriatic Sea			X	X
Albania	X		X	X
Arabian Sea	See Ref A			
Bahrain	X		X	X
Bosnia-Herzegovina	X			X
Croatia	X			X
Gulf of Aden			All Gulf	X
Gulf of Oman			All Gulf	X
Iraq	X		X	X
Kuwait	X		X	X
Ionian Sea (N of 39 th parallel)			X	X
Oman	X		X	X
Macedonia	X			X
Persian Gulf			All Gulf	X
Qatar	X		X	X
Red Sea			All Sea	X
Saudi Arabia	X		X	X
United Arab Emirates	X		X	X
Yugoslavia (Serbia, Kosovo, Montenegro)	X		X	X

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Rules for Combat Tax Exclusion

The following rules apply when determining income tax exclusion for duty in a combat zone.

- A member who is present on official duty in a combat zone, no matter how brief, qualifies for combat tax exclusion for that month.
- When the airspace over a combat zone is included as part of the zone, members who pass over or through the combat zone during the course of a trip between two points, both of which lie outside the zone, are entitled to an exclusion only if the members are assigned to official temporary duty to the airspace of the combat zone or qualify for hostile fire/imminent danger pay as a result of the flight.
- Members performing military duties in areas outside a designated combat zone in support of military operations in a combat zone, who qualify for imminent danger pay, also qualify for combat tax exclusion.

Amount of Combat Tax Exclusion

For enlisted members and warrant officers, all taxable military pay items earned by a member during a month while serving in a combat zone are excluded from federal and state taxation.

For officers O-1 and above, the first \$4,719.00 per month of taxable military pay items are excluded from federal taxation.

Note 1: The \$4,719.00 figure increases annually to match the current base pay rate for an E-1O.

Note 2: Imminent danger pay (if entitled) is not included in the \$4,719.00 ceiling.

Members entitled to combat tax exclusion will not have any Federal/State income tax withheld from the exempted amount of their pay. Voluntary withholding of this amount is not permitted.

PERSRU Procedures

The procedures for recording entitlement to combat tax exclusion are contained on pages 2-A-138 through 2-A-143 of reference (d).

Extension of filing date for tax returns

Members serving in a combat zone are allowed an extension of up to 180 days to file their federal income tax return, as described in Section 8-G-7 of reference (b).

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The due date for filing state tax returns is regulated by each state. Members serving in a combat zone should contact their state tax office regarding the postponement of filing state tax returns.

**Wages
Associated
With Leave
Earned While
In A Combat
Zone**

Leave earned by a member in a combat tax exclusion zone is not taxed when that leave is used.

Example: If a member serves in a combat tax exclusion zone from 10 March to 20 April 1999, the member earns two months of tax exclusion benefits and 5 days of tax-free leave (provided the member was on active duty the entire month). When the member uses those 5 days leave, the compensation paid the member while on leave is excludable from taxable gross income.

The following rules apply to tax-free leave:

- For officers O-1 and above, the TOTAL of combat-free wages plus combat-free leave earned during a given month may not exceed \$4,719.00 (without IDP) or \$4,869.00 (with IDP).
- Leave earned in a combat tax exclusion zone is the FIRST leave used after departing the combat tax exclusion zone.
- Leave earned in a combat tax exclusion zone that is used during a month a member is in a combat tax exclusion status is counted as part of the tax-free wages for that month.

Example: If an individual is in a combat zone from 10 March to 20 April 1999, and takes five days leave during May 1999, the compensation paid the member while on leave is tax-free. However, if this member takes five days leave during April 1999, the member receives no additional tax advantage for the five days of leave.

- Members who have combat leave who do not use such leave prior to separation are entitled to receive the tax benefit when selling leave, as detailed in chapter 10 of reference (b).
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SRB Benefit

Combat tax exclusion applies to the initial payment and future installment payments of an SRB associated with a reenlistment or extension executed while a member is serving in a combat zone or during any part of a month when a member served in a combat zone. If possible, it is usually best financially for an SRB eligible member to reenlist or begin serving under an extension during a month when eligible for combat tax exclusion. For example:

MK3 Jones enlisted in the CG on 8 August 1992. Due to an extension, his current expiration of enlistment is 7 October 1998. The MK rating has a Zone A SRB multiple of 2. Since MK3 Jones was aboard his unit while it was underway in the Persian Gulf from 5 April 1998 to 4 June 1998, MK3 Jones is eligible for both Imminent Danger Pay and Combat Tax Exclusion for the months of April, May, and June 1998. Per reference (e), MK3 Jones' Commanding Officer is authorized to effect early discharge and reenlist MK3 Jones 3 months prior to his 6th anniversary date (8 August 1998) for the purpose of qualifying for a Zone A SRB. If a date selected to effect the early discharge and reenlistment is in June 1998, MK3 Jones' SRB payments will be reduced by the portion of unserved service obligation (up through 7 October 1998), but it is not subject to Federal (28%) and state income tax withholding. Please review reference (e) carefully to ensure all criteria are being met.

Questions

Questions may be directed to the HRSIC Customer Service Team at 785-357-3540.

Released by /s/

GIL SENA
Executive Officer